

CITIZENS' WATER ADVISORY COMMITTEE (CWAC)



Wednesday, March 4, 2015, 7:00 a.m.
Director's Conference Room
Tucson Water, 3rd Floor
310 W. Alameda Street, Tucson, Arizona

Summary Minutes

1. Roll Call:

The meeting was called to order by CWAC Chair, Brian Wong at 7:01 a.m. Those present and absent were:

Present:

Brian Wong	Chairperson, Representative, City Manager
Mark Murphy	Representative, Mayor
Jean McLain	Representative, City Manager
Catlow Shippek	Representative, City Manager (arrived at 7:02 a.m., directly after roll call)
Mitch Baselsky	Representative, City Manager
Placido dos Santos	Representative, City Manager
Chuck Freitas	Representative, City Manager
Mark Taylor	Representative, City Manager
Alan Tonelson	Representative, Ward 1
Amy McCoy	Representative, Ward 2
Bruce Billings	Representative, Ward 3
George White	Representative, Ward 4
Mark Lewis	Vice Chair, Representative, Ward 5
Kelly Lee	Representative, Ward 6
Alan Forrest	Tucson Water, Director, Ex-Officio Member
Jackson Jenkins	Pima County Regional Wastewater Reclamation Department Director, Ex-Officio Member

Absent:

None

Tucson Water Staff Present:

Sandy Elder	Deputy Director
Jeff Biggs	Interim Deputy Director
Andrew Greenhill	Intergovernmental Affairs Manager
Chris Rodriguez	Water Administrator
Melodee Loyer	Water Administrator
Belinda Oden	Water Administrator
Britt Klein	Water Administrator
Fernando Molina	Water Program Supervisor
Daniel Ransom	Water Conservation Supervisor
Shane Oman	Finance Manager
Joaquim Delgado	Public Information Specialist
Nancy Gradillas	Lead Financial Accountant
Johanna Hernandez	Staff Assistant
Kris LaFleur	Staff Assistant

Others Present:

Chris Avery	City of Tucson, Attorney's Office
Joyce Garland	City of Tucson, Budget/Internal Audit
Robert Kulze	City of Tucson, Budget/Internal Audit
Tony Wong	City of Tucson, Budget/Internal Audit
Lee Barr	City of Tucson, Budget/Internal Audit
Deb Galardi	Consultant, Galardi Rothstein Group
Amy Stabler	City of Tucson, Ward 6
Michael Block	Metro Water
Dick Gelpke	Citizen

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2. **Announcements** – Member McLain announced the Water Resources Research Center's (WRRC) Annual Conference June 9th and 10th at Wild Horse Pass. Members should contact Member McLain for addition to the weekly newsletter email list. Tucson Water will be presenting to the WRRC on the Recycled Water Program on March 9th at 12pm. Additionally, Member McLain thanks Tucson Water staff for their assistance putting together a proposal.
3. **Call to Audience** – Chair Wong read an emailed Call to the Audience from citizen Mark Day regarding Tucson Water's proposed rate structure, culminating in Mr. Day's preference for Option A.
4. **Review of February 4, 2015 Legal Action Report and Meeting Minutes** – Committee Member Tonelson motioned to approve the Meeting Minutes of February 4, 2015. Member Freitas seconded. Motion passed unanimously by a voice vote of 14-0.
5. **Director's Report** –
 - a. **Mayor and Council Items** – On February 4th, Mayor and Council considered and approved compensation for employees in the Certified Crane Operator Incentive Pay Program.

On February 18th, Mayor and Council considered and approved the following items: Tucson Water Financial Plan with the PILOT included and future consideration of use of revenues for water security programs; the Arizona Water Bank Association credit transfer; and site acquisition for well R-009A replacement.

On March 3rd, Mayor and Council discussed the Rain Water Harvesting Rebate Expansion; more information will follow with the Conservation and Education Subcommittee.

Coming up in April, Mayor and Council will consider the approval of a wheeling IGA between Tucson Water and Metro Water.
 - b. **Department Updates** – Tucson Water currently has 51 vacancies, 16 active recruitments and 4 pending new hires.
 - c. **Informational Items** – Director Forrest shared fiscal (-5.6%) and calendar year (-9.6%) water production as compared to last year's respective times. Steep calendar year decreases can be attributed to a very wet January. Brief discussion was held regarding production calculations and declines.
6. **Subcommittee Reports** –

Technical, Policy, and Planning Subcommittee – Subcommittee Chair Murphy reported the TPP received informative presentations on shallow ground water and discharges to the Santa Cruz River.

Finance Subcommittee – Subcommittee Chair Billings reported that the Subcommittee has been focused on rates and cost of service, the results of which will be discussed with the Committee today.

Conservation and Education Subcommittee – Subcommittee Chair Amy McCoy reports the Subcommittee will be discussing the M&C discussion and new programs

RWRAC Update – Member Taylor reported RWRAC approved the Financial Plan, which will be considered by the Board on 3/10.
7. **Cost of Service Results and Proposed Rate Schedules** – Tucson Water staff member Belinda Oden and consultant Deb Galardi provided a PowerPoint presentation on the proposed rate structure. Ms. Oden briefly discussed the water reliability program, the rate process, and the approved Financial Plan for Tucson Water. Ms. Galardi reviewed the proposed rate structure in terms of objectives with a focus on improving rate resiliency. Cost of Service was broken down into its components: type of water delivered, water usage/demand, and customers in group. Cost of Service components were evaluated to calculate proposed revenue increases. Proposed increases were reviewed by the Finance Subcommittee and the Subcommittee recommendations were reviewed. No changes to the rate structure were recommended

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save those to the residential rate structure. Extensive discussion held on residential block structures. Two CWAC proposals were reviewed; Option A, wherein Block 1 based on average winter use (7ccf), and Option B, wherein Block 1 is based on average summer use (10ccf). Rate changes for each option were reviewed. Rate changes for other customer groups due to service charge and fee changes were detailed. Clarification made regarding Construction/Industrial rate changes as reflected in the PowerPoint. Tucson Water fixed charges were compared to other utilities. Bill impacts for both options were discussed in depth. Option A is the option preferred by the Finance Subcommittee. Ms. Oden reviewed the next steps of the proposed rates. Recommended rate structures will be considered by Mayor and Council April 7th, there will town hall meetings April 8th, 14th, and 16th, a Mayor and Council public hearing on May 19th, and a rate effective date of July 6th. The Low Income Assistance Program was reviewed briefly.

Member Lewis inquired as to regional comparisons of rate increases. Ms. Galardi reflected that increases are a national trend, but no specific research was done on regional increases. Member Lewis further inquired if there are any external charges, as in taxes, that will affect the bottom line for rate payers. Ms. Oden does not anticipate any such charges. Member Shipek commented on methods to decrease winter averages and standards for highest tier customer percentages, effectively lowering the threshold for entrance into each block and easing the downward transition between blocks. Member Tonelson motioned to forward both Options to Mayor and Council for consideration with a preferred option of Option A. Member Taylor seconded. Member Lewis motioned to amend motion to forward options with an amendment to change the highest block from 30ccfs to 25ccfs. No second was received and motion to amend died. Discussion held on the deadlines associated with making any further modifications at this time. Committee discussed deferring modifications until next year. Member Freitas conveyed his general agreement with both Options, but his specific disagreement with expressing a preference for Option A. Motion passed by a roll call vote of 13-2 with Members Freitas and White dissenting.

8. **Administrative Service Charge Presentation** – City of Tucson Budget and Internal Audit staff members Joyce Garland and Robert Kultz continued the discussion on Administrative Service Charges from the February CWAC meeting. An updated handout of the Summary of Allocation Basis and an in depth handout reflecting the Procurement Department purchasing card schedules was provided. Ms. Lee Barr, with the City of Tucson Budget and Internal Audit, briefly reviewed the in depth schedules and discussion was held on the step process. Ms. Garland resumed discussion on allocated costs by department and three detailed handouts were provided. Brief review of each handout was provided. Discussion held on the percentage of Tucson Water allocation compared to total allocations. Brief discussion held on the PILOT tax and the topic was agendaized for future discussion. Member Lewis motioned for Tucson Water to assess the costs for procuring an independent third party cost analysis of the services associated with the administrative services charges. Member Freitas seconded. Extensive discussion was held as to the purpose of, and action that could result from, such an analysis. Motion passed by a voice vote of 10-2-1 with Members Billings and Murphy dissenting, and Chair Wong abstaining. Continued discussion was held in regards to alternative options.

Chair Wong departed at 8:13 a.m. and returned at 8:15 a.m.

Jean McLain departed at 8:47 a.m.

Amy McCoy departed at 8:53 a.m.

9. **Consideration of Formation of By-Laws** – Member Lewis motioned to defer this item to a future agenda. Member Freitas seconded. Motion passed unanimously by a voice vote of 12-0.
10. **Future Meetings/Agenda Items** – Item not addressed. See projected agenda.
11. **Adjournment** – Meeting was adjourned at 9:00 a.m.

Approved 4/1/15